

APPRAISAL REVIEW REPORT
Proposed Land Banking Sales
Sale No.'s 374 & 375, Bullis Creek/Dokken Parcels
By Livingston, Park County, Montana
December 15, 2006

Prepared for:
State of Montana
Department of Natural Resources and Conservation
Trust Land Management Division
Real Estate Management Bureau
1625 11th Avenue
Helena, MT 59620

Prepared by:
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Trust Land Management Division
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1625 11th Avenue
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Client & Intended Users of Review:

The clients are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC), and the intended users are the clients, DNRC Trust Land Mgmt Div Real Estate Mgmt Bureau and the Central Land Office.

Purpose and Intended Use of Review:

The purpose of the review is to provide the clients with an opinion of the credibility of the appraiser's estimates of current fair market values of the two appraised properties. The intended use of the review will be for utilization in the decision making process concerning the setting of minimum bid prices for the potential sale of said subject properties at auction. An opinion of the quality of the appraisal report as well as this reviewer's opinion of values will be reported. The appraisal was submitted by Janet L. Urlacher, Ranch Appraisal Associates, LLC, Billings, MT.

Subject Property, Location & Owner of Record:

The subject properties consist of two separate parcels that touch corners. Parcel 374 is approximately 630 acres, and Parcel 375 is approximately 640 acres. Detailed descriptions of the properties along with maps and photos are contained in the actual appraisal report. Parcel 374 is described as Lots 1, 2, 3 & 4, E ½ W ½, & E ½ of Sec 18, T3S-R9E, Park County, Montana. Parcel 375 is described as All of Sec 20, T3S-R9E, Park County, Montana. The parcels are located approximately eight miles southwest of Livingston, MT, in the area known as Paradise Valley. The State of Montana owns both parcels.

Dates of Appraisal, Date of Review & Estate Appraised:

The effective date of the appraisal is October 13, 2006. The date of the report is December 8, 2006. The effective date of the review is December 15, 2006. Per the appraiser, the property rights appraised are the surface rights and interests held by the fee simple estate. No separate estimates of value have been derived herein for mineral interests (including gravel), chattel, merchantable timber, or corps related to the property. The appraisal report also provides the market value definition and the reader is referred to the report for said definition. The appraiser did, per scope of work instructions, make a **hypothetical condition** in order to conclude a value for the fee simple estate and ignore the market effect of the existing leases. (It should be noted that per the lease the lessor can cancel the lease due to sale of the property.)

Client and Intended Users & Purpose and Intended Use of the Appraisal Report:

Per the appraiser, the client and intended users of the appraisal report are the State of Montana Land Board and the Department of Natural Resources and Conservation (DNRC). Per the appraiser, the purpose of this appraisal is to render an opinion of the current market value of the real property herein identified as the Bullis Creek Parcels - Parcel 374 and Parcel 375. Per the appraiser, the intended use of the appraisal is to provide the clients with a credible opinion of current fair market value of the property for use in the decision making process concerning the potential sale of said property.

Appraisal Estimate of Values:

Following the Scope of Work instructions with data in the subjects' market, the appraiser provided two estimates of current market value for the State parcel. One value without legal access, (as exists), and one value assuming legal access, (a **hypothetical condition**). The appraiser reported the values of the subject properties as summarized in the following table:

Parcel	Size (Ac)	Value Without Legal Access	Value With Legal Access
# 374	630	\$1,950 @ A / \$1,228,500	\$3,000 @ A / \$1,890,000
# 375	640	\$1,950 @ A / \$1,248,000	\$3,000 @ A / \$1,920,000

Scope of Review:

The reviewer will be reviewing and making an opinion of the quality of the appraisal, along with developing his own opinions of the appraiser's opinions of values. The reviewer's valuation opinions will be limited to an orientation prospective of the appraiser's opinions, i.e., "the appraiser's opinion of value appears high, low, appropriate, or unsupported", etc.

The reviewer's opinion of appraisal quality and of the appraiser's opinions of values will be based almost completely on the material submitted in the report with some very limited use of information on the cadastral system, NRIS and other web based information sites. This review is not a stand alone document and is expressly interrelated to the appraisal report, which the reader may need to refer to for further explanation. In the development of this reviewer's opinion of the appraiser's opinions of values, an **extraordinary assumption** has been made that the material on the comparable sales and other market information submitted in the appraiser's report is credible.

Highest and Best Use:

The appraiser concluded that for both parcels the Highest and Best Use as Unimproved is as rural recreational/investment property. This reviewer concurs with the determinations made for the subject properties. The reader is referred to the appraisal report for further analysis.

Subject Property Data & Analysis Summary:

Overall, the appraiser has provided competent information on and done a good analysis of, the subject properties, neighborhood, and general market. The appraiser states she has assumed a **hypothetical condition** concerning the access to the State section for part of her analysis. That is, she has provided two estimates of value for the State section, one assuming hypothetical legal access and one without legal access as the subject currently exists.

For informational purposes:

USPAP defines Hypothetical Condition as: that which is contrary to what exists but is supposed for the purpose of analysis.

USPAP defines Extraordinary Assumption as: an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Valuation Summary:

The appraiser considered the Sales Comparison Approach to be the only applicable guide to the value of the parcels, and this reviewer concurs. For the valuation with the **hypothetical condition** of With Legal Access, the appraiser appears to have done a thorough search of the subjects' market area for comparable sales, a sufficient job in their description and a generally reasonable analysis of the information in the Sales Comparison Approach. The reader is referred to the narrative and charts in the actual appraisal reports for the appraiser's descriptions, analysis and conclusions. Again, in this reviewer's own development of values, this reviewer has made the **extraordinary assumption** that these comparable sales are credible.

For the valuation of the parcels Without Legal Access, the appraiser states she will pair sales with and without access to estimate an applicable discount. Thereby, a percentage discount will be established and this discount can be applied to the fee value of the property. The appraiser states she will also use a sale with access limitations and this will be referenced as a direct comparison and market indicator. This reviewer refers the reader to the actual report for a more detailed explanation of the information and analysis.

No separate valuation was done for timber, minerals, or water rights.

Comments:

This reviewer finds that overall the appraisal and report appear to be of acceptable quality.

It is this reviewer's opinion that the appraiser's opinions of values under the hypothetical condition of With Legal Access are well supported. It is this reviewer's opinion that the appraiser's opinions of values "as is" of Without Legal Access is generally supported in the report.

Conclusion of Value:

Following is a summary of the appraisal's concluded values and this reviewer's opinions.

Parcel	Size (Ac)	Value Without Legal Access	Value With Legal Access
# 374	630	\$1,950 @ A / \$1,228,500	\$3,000 @ A / \$1,890,000
# 375	640	\$1,950 @ A / \$1,248,000	\$3,000 @ A / \$1,920,000

It is this reviewer's opinion that the appraiser's opinions of values for the parcels are appropriate.

Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: December 15, 2006

ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the appraiser appearing in the appraisal review report is subject to the following conditions and to such other specific and limiting conditions as set forth in the review report.

1. The appraiser will not be responsible for matters of a legal nature affecting either the property being appraised or the title to it. Except for information that was provided or uncovered during the research involved in performing the appraisal review and ordinarily employed by real estate appraisers, no opinion is intended to be expressed for legal matters or that would require specialized knowledge or investigation. The appraiser assumes that the title is good and marketable, ("free and clear"), and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership and/or competent management. Unless otherwise mentioned in this review report, the property is appraised as if owned in fee simple title without encumbrances.
2. The appraiser assumes that the legal descriptions furnished are correct and the appraiser has not surveyed the property. Acreage of land types and measurements of improvements are based on physical inspection of the property or information provided unless otherwise noted in the report. Sketches or drawings in this report are included to assist the reader in visualizing the property. They are not to be considered a legal survey or engineer's plan of any kind. Any and all other sketches, drawings, maps, etc., are also provided for informational purposes only and are not for any legal reference. Access has been investigated only to the satisfaction of the appraiser. No assurance of legal access, or lack of, is expressed or implied as a legal opinion. The same is true of encroachment and trespass issues.
3. The appraiser has noted in the appraisal review report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, flood planes, etc), observed during the routine inspection of the subject property, and/or adjacent properties, or that was discovered during the normal research involved in performing the appraisal review. Unless otherwise stated in this report, the appraiser has no knowledge of any hidden or unapparent conditions of the property, and/or adjacent properties, or adverse environmental conditions, (including, but not limited to, the presence of hazardous wastes, toxic substances, etc), that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal review report must not be considered as an environmental assessment of the property. Concerns about soil conditions, actual condition of improvements or systems, or property conformity to zoning, building, fire, ADA, and other such applicable laws, regulations, rules and codes, should all be referred to the proper experts.

4. The appraiser is not an expert in minerals, mineral rights, timber, timber volumes, crops, farm programs or water requirements and rights. Unless otherwise noted, only surface rights will be appraised or reviewed with no value specifically allotted to the mineral rights or deposits. Timber values, if considered a part of the report, will rely on proper experts, as will farm programs. Typically, growing crops are not considered in the appraisal report. Usually it is assumed the water rights have been secured or perfected, with their value generally considered an inherent part of the land value, with any deviation from this to be included in the report. Rental and lease agreements, conservation plans, options and other situations may also require reliance on proper experts.

5. The appraiser has obtained information, opinions, estimates, surveys, plans, maps and information on regulations, restrictions and studies, etc., from various sources including the property owner, agent, or manager, as well as from real estate professionals, government agencies, appraisers and other sources. Unless otherwise noted, the sources are considered reliable and the information is complete and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.

6. The appraiser assumes no responsibility or liability for future conditions, about which information was not supplied or readily available or was not public knowledge at the time the appraisal is made, nor for the effect of events, which might concern the value of the subject property subsequent to date of appraisal. Montana is a non-disclosure state and as such sales prices of real estate are not publicly recorded. Therefore, with few consolidated sources of sales information existing, and no obligation to release or verify information by many of the parties associated with the transactions, sales of comparable properties may not be known by this appraiser, and absolute verification of the sales found may not be possible.

7. All extraordinary assumptions and hypothetical conditions, including, but not limited to, satisfactory completion and repairs or alterations, will be noted in the appraisal report. It is assumed there will be consistency with all the plans, estimates, specifications, planned work, projections, or requirements, initially provided. Deviation from those items may affect the value reported. Great effort has been taken to eliminate all error in identifying, developing and processing the report. However, if errors or omissions are found, they will have to be reviewed to see if they will affect the opinion of value reported.

8. The appraiser will not disclose the contents of this appraisal review report except as provided for in the Uniform Standards of Professional Appraisal Practice, and/or applicable federal, state, or local laws, rules or regulations. The appraiser is not obligated to/by any unauthorized use of this report by third parties or the “extraction” of only parts of the report and attempting to apply those parts in any other process or to reach a conclusion.

9. It is assumed that there has not been any significant change, physical or otherwise, to the subject property between the inspection date and date the report is signed.

APPRAISER'S CERTIFICATION: This review appraiser certifies and agrees that:

1. I have no present or prospective interest in the property that is the subject of this report and review, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in the appraisal review report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
2. My employment and/or compensation for performing this appraisal review or any future or anticipated appraisal reviews was not conditioned on any agreement or understanding, written or otherwise, that I would report (or develop or present any analysis, opinions or conclusions supporting) a predetermined specific value, a predetermined minimum or maximum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific event or action, or the subsequent event directly related to the use of this appraisal review report.
3. I have taken into consideration the factors that have an impact on value in the development of my opinion of market value for the subject property. I have noted in the appraisal review report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous materials, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing the appraisal review. I have considered these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them, and have commented about the effect of the conditions on the marketability of the subject property.
4. I have not knowingly withheld any significant information from the appraisal review report that would have an impact on value and I believe, to the best of my knowledge, that all statements and information in the appraisal review report are true and correct. I have stated in this appraisal review report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the limiting conditions specified in this appraisal review report.
5. To the best of my knowledge, I have performed this appraisal review in conformity with the Uniform Standards of Professional Appraisal Practice. I have personally analyzed and prepared all the conclusions and opinions about the real estate that are set forth in this appraisal review report. If I have relied on significant real property appraisal or review assistance from any individual(s) in the performance of the appraisal review or preparation of the appraisal review report, I have named such individual(s) and disclosed the specific tasks performed in the appraisal review report. I certify that any individual(s) so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the appraisal review report; therefore, any change made to the appraisal review is unauthorized and I take no responsibility for it.

Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: December 15, 2006